



**EXAMINATION REPORT
OF**

SAFEPOINT INSURANCE COMPANY

NAIC Company Code: 15341

TEMPLE TERRACE, FLORIDA

**as of
December 31, 2015**

**BY THE
FLORIDA OFFICE OF INSURANCE REGULATION**

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March 30, 2017

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2015, of the financial condition and corporate affairs of

Safepoint Insurance Company
12640 Telecom Drive
Temple Terrace, Florida 33637

hereinafter referred to as the "Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2015 through December 31, 2015. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) covering the period of November 21, 2013 through December 31, 2014. This examination commenced with planning at the Office on December 1, 2016, to December 2, 2016. The fieldwork commenced on January 17, 2017, and concluded as of March 30, 2017.

The examination was a multi-state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (Handbook). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statements of Statutory Accounting Principles (SSAP).

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no material adverse findings, significant non-compliance findings or material changes in the financial statements.

Prior Examination Findings

There were no findings from the previous examination as of December 31, 2014.

COMPANY HISTORY

General

The Company was incorporated in Florida on October 23, 2013, and commenced business on November 21, 2013.

The Company was authorized to transact insurance coverage in Florida on November 21, 2013, and is currently authorized for the following coverages as of December 31, 2015:

Allied Lines	Homeowners Multi-Peril
Burglary and Theft	Inland Marine
Commercial Multi-Peril	Other Liability
Fire	

The Company was authorized to transact insurance coverage in Louisiana on September 23, 2015. The Company was authorized to write Burglary and Forgery, Fire and Allied Lines, Homeowners, and Liability Insurance in the State of Louisiana.

Dividends

The Company did not declare or pay any dividends during the period of this examination.

Capital Stock and Capital Contributions

As of December 31, 2015, the Company's capitalization was as follows:

Number of authorized common capital shares	500,000
Number of shares issued and outstanding	255,000
Total common capital stock	\$2,550,000
Par value per share	\$10.00

Control of the Company was maintained by its parent, Safepoint Holdings, Inc., which owned one hundred percent (100%) of the stock issued by the Company, which in turn was owned seventy-two and seven tenths percent (72.7%) by Amarjit Singh Dhaliwal and Parminder Dhaliwal, with the remaining twenty-seven and three tenths percent (27.3%) allocated to Dhaliwal family and senior management.

Surplus Notes

The Company did not have any surplus notes during the period of this examination.

Acquisitions, Mergers, Disposals, Dissolutions and Purchase or Sales through Reinsurance

The Company had approximately sixty-one thousand (61,000) policies in force as of December 31, 2015; the majority of the Company's business was obtained by participating in the depopulation program of Citizens Property Insurance Corporation (Citizens). In addition to the five (5) separate assumption transactions during 2014, the Company entered into three (3) additional Citizens assumptions during 2015.

CORPORATE RECORDS

The recorded minutes of the Shareholder(s), Board of Directors (Board) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments as required by Section 625.304, Florida Statutes.

Conflict of Interest

The Company did not adopt a policy statement requiring periodic disclosure of conflicts of interest in accordance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code. **Subsequent Event:** The Company adopted and implemented a conflict of interest policy on May 16, 2016 and subsequently remediated the issue.

MANAGEMENT AND CONTROL

Management

The annual shareholder meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2015, are shown on the following page.

Directors

Name	City, State	Principal Occupation
Amarjit Singh Dhaliwal	Tampa, Florida	Chairperson of the Board, Safepoint Insurance Company
Parminder Dhaliwal	Tampa, Florida	Medical Doctor
David Michael Flitman	Tampa, Florida	President, Safepoint Insurance Company
Donald Michael Rhomberg	Tampa, Florida	Insurance Agent/Broker, Jaffe Tilchin Wealth Management
John William Burns	Bradenton, Florida	Treasurer, Safepoint Insurance Company
Benjamin Gad Rosenblum	New York, New York	Chief Actuary, Assured Guaranty
Wayne Spencer Matthews	Tallahassee, Florida	Chief Financial Officer, Florida Sheriff's Risk Management Fund

In accordance with the Company's bylaws, the Board appointed the following senior officers:

Senior Officers

Name	City, State	Title
David Michael Flitman	Tampa, Florida	President, Safepoint Insurance Company
Ryan Daniel Beck	Clearwater, Florida	Chief Claims Officer, Safepoint Insurance Company
John William Burns	Bradenton, Florida	Treasurer, Safepoint Insurance Company
Nancy Lee Baily	Tampa, Florida	Secretary, Safepoint Insurance Company

Audit Committee

Name	City, State	Title
Amarjit Singh Dhaliwal	Tampa, Florida	Chairperson of the Board, Safepoint Insurance Company
Parminder Dhaliwal	Tampa, Florida	Medical Doctor
David Michael Flitman	Tampa, Florida	President, Safepoint Insurance Company
Donald Michael Rhomberg	Tampa, Florida	Insurance Agent/Broker, Jaffe Tilchin Wealth Management
John William Burns	Bradenton, Florida	Treasurer, Safepoint Insurance Company
Benjamin Gad Rosenblum ¹	New York, New York	Chief Actuary, Assured Guaranty
Wayne Spencer Matthews	Tallahassee, Florida	Chief Financial Officer, Florida Sheriff's Risk Management Fund

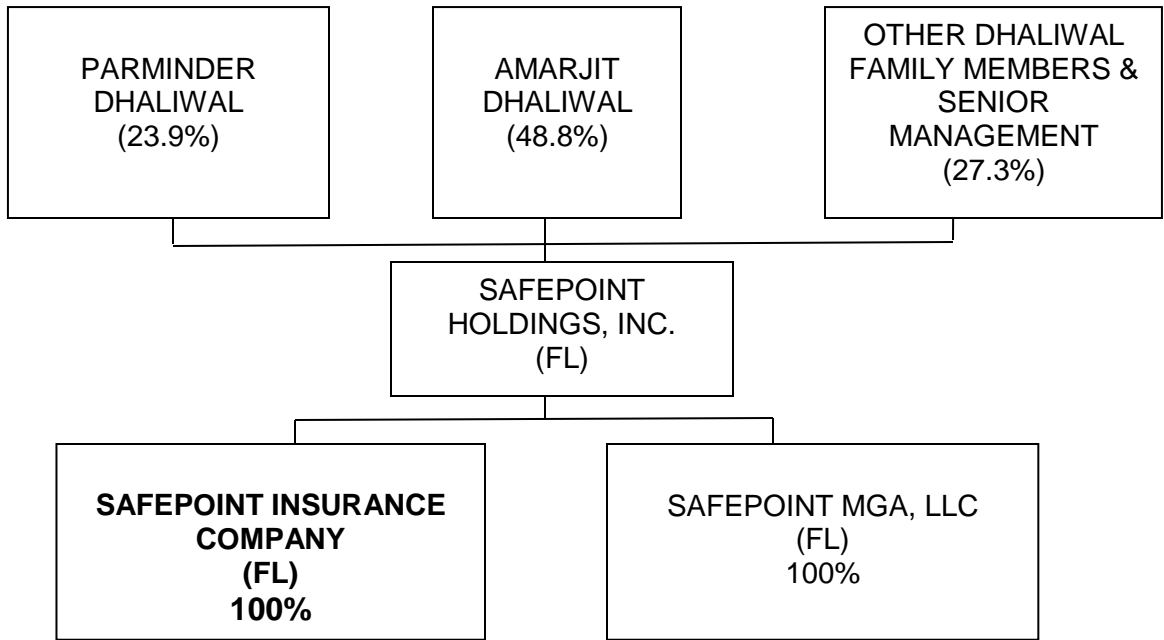
¹ Chairperson

Affiliated Companies

The most recent Holding Company Registration Statement was filed with the Office on March 27, 2017, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2015, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2015 annual statement provided a list of all related companies of the holding company group.

**Safepoint Insurance Company
Organizational Chart
December 31, 2015**



The following agreements were in effect between the Company and its affiliates:

Managing General Agency Agreement and Claims Administration Agreement

Safepoint MGA, LLC, is the exclusive managing general agent (MGA) in Florida. Under the Managing General Agency Agreement and Claims Administration Agreement dated November 13, 2014, with Safepoint MGA, LLC, the Company pays a commission of six percent (6%) of assumed written premiums and twenty-four & five tenths percent (24.5%) of direct written premiums to the MGA that are charged to underwriting, acquisition and other expenses for operations. The Company also pays a fee of three & twenty-five hundredths percent (3.25%) of gross earned premiums to the MGA for claims administration. In 2015, the Company incurred \$28,540,404 for policy administration fees, \$1,210,500 for policy fees of \$25 per policy on direct business, and \$3,198,702 for claims administration fees.

Cost Sharing Agreement

The Company entered into a Cost Sharing Agreement with Safepoint Holdings, Inc., and Safepoint, MGA, LLC, effective October 24, 2013. Under the terms of the agreement, the Company, Safepoint Holdings, Inc. and Safepoint MGA, LLC, share office facilities, utilize certain personnel, furniture, equipment, computer hardware and software and other property and assets. Net fees paid to Safepoint MGA, LLC under the terms of this agreement during 2015 amounted to \$9,142.

Leasing Agreement

The Company entered into a Leasing Agreement with Safepoint MGA, LLC, effective June 1, 2014. Under the terms of the lease, Safepoint MGA, LLC leases approximately 4,500 square feet of space of the corporate headquarters of the Company. Safepoint MGA, LLC may renew or extend the term of this lease for two additional renewal terms of one year each six months prior to the initial term expiration. The Company received \$89,654 from Safepoint MGA, LLC during 2015.

Tax Allocation Agreement

The Company entered into a Federal Income Tax Allocation Agreement with its parent, Safepoint Holdings, Inc., and affiliate, Safepoint MGA, LLC on July 1, 2015. The method of tax liability allocation between the parties shall not exceed charges that the Company would have paid if it had filed on a separate-entity basis. Within thirty (30) days of the remittance by parent of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states:

Florida

Louisiana

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(i)(3)(a), Florida Statutes. The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1)(j), Florida Statutes.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting, and settlement information deadlines.

Reinsurance Assumed

The majority of the Company's assumed business was obtained by participating in the depopulation program of Citizens. During 2015, the Company's assumed premiums were approximately \$10,900,000.

Reinsurance Ceded

As of December 31, 2015, the Company's ceded reinsurance program consisted of numerous quota share, per risk excess of loss, and catastrophe reinsurance agreements with various professional reinsurers. Most treaties were placed through reinsurance intermediary, Guy Carpenter, (including Guy Carpenter Securities). The Company also participated in the Florida Hurricane Catastrophe Fund (FHCF).

The Company used Guy Carpenter LLC as its reinsurance intermediary broker. The Company also utilized several unauthorized reinsurers during the period of this exam. There were trust agreements and letters of credit established for these unauthorized reinsurers.

Letters of Credit

The Company was not in compliance with Rule 69O-144.005 (6), Florida Administrative Code. Our review of two (2) letters of credit, Allianz Risk Transfer AG, and MS Frontier, noted that the letters of credit did not include provisions that "The letter of credit shall be subject to and governed by the laws of the State of Florida." Additionally, one of the letters of credit did not follow the requirements set forth in Paragraph 6 subsection (d)(2) with regards to providing at least sixty (60) days' notice prior to nonrenewal. **Subsequent event**: One of the letters of credit noted above, Allianz Risk Transfer AG has been terminated at December 31, 2016. Another letter of credit, MS Frontier, was amended to comply with the applicable regulation.

Reinsurance Trust Agreement

The Company was not in compliance with Rule 69O-144.005 (5), Florida Administrative Code in that its reinsurance trust agreement between the Company, Manatee Re and Deutsche Bank

Trust Company did not contain paragraphs required by Rule 69O-144.005(5)(b)(7), Florida Administrative Code and Rule 69O-144.005(5)(b)14 a. through b., Florida Administrative Code.

Subsequent event: The Company amended its reinsurance trust agreement on March 22, 2017, to bring it in compliance with the above regulation.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Temple Terrace, Florida.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with SunTrust Bank, executed on March 25, 2015. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Investment Advisory Agreement

The Company entered into an Investment Advisory Agreement with Stonebridge Advisors, LLC, on March 25, 2014. Stonebridge Advisors, LLC shall maintain an investment advisory account with SunTrust Bank, and provide discretionary investment advisory services for the investment assets in the account.

Independent Auditor Agreement

An independent CPA, RSM US LLP, audited the Company's statutory basis financial statements for the year 2015, in accordance with Section 624.424(8), Florida Statutes. Supporting workpapers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

Reinsurance Intermediary Agreement

The Company entered into a Reinsurance Intermediary Agreement with Guy Carpenter & Company, LLC (Guy Carpenter) on December 11, 2013. Guy Carpenter is authorized to act as a reinsurance intermediary broker. The agreement met the requirements in accordance with Section 626.7492(4), Florida Statutes.

INFORMATION TECHNOLOGY REPORT

Darlene Schaeffer, CFE, CISA, of Lewis & Ellis, Inc., performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411 and Section 625.51(2), Florida Statutes:

State	Description	Par Value	Market Value
FL	Cash-Statutory Deposit	\$ 500,000	\$ 500,000
	TOTAL FLORIDA DEPOSITS	<u>\$ 500,000</u>	<u>\$ 500,000</u>
	TOTAL SPECIAL DEPOSITS	<u>\$ 500,000</u>	<u>\$ 500,000</u>

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during course of the examination, the impact of such adjustment will be documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company with the Office are reflected on the following pages.

Safepoint Insurance Company

Assets

December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Bonds	\$74,952,578	\$0	\$74,952,578
Stocks:			
Preferred	\$ 4,438,200		\$4,438,200
Real Estate:			
Properties			
Properties occupied by Company	1,531,109		1,531,109
Cash and Short-Term Investments	16,809,357		16,809,357
Agents' Balances:			
Uncollected premium	5,666,876		5,666,876
Reinsurance recoverable	853,103		853,103
Current federal and foreign income tax	2,220,376		2,220,376
Net deferred tax asset	1,990,376		1,990,376
EDP Equipment	13,596		13,596
Interest and dividend income due & accrued	436,494		436,494
Aggregate write-in for other than invested assets	1,655,396		1,655,396
Totals	\$110,567,460	\$0	\$110,567,460

Safepoint Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Losses	\$19,233,255		\$19,233,255
Loss adjustment expenses	5,362,424		5,362,424
Other expenses	150,492		150,492
Taxes, licenses and fees	441,792		441,792
Unearned premium	26,360,940		26,360,940
Advance premium	2,538,950		2,538,950
Ceded reinsurance premiums payable	7,875,199		7,875,199
Amounts withheld	20,659		20,659
Payable to parent, subsidiaries and affiliates	434,256		434,256
Aggregate write-ins for liabilities	<u>6,404,904</u>		<u>6,404,905</u>
Total Liabilities	\$68,822,871	\$0	\$68,822,872
Common capital stock	\$2,550,000		\$2,550,000
Gross paid in and contributed surplus	26,450,000		26,450,000
Unassigned funds (surplus)	<u>12,744,588</u>		<u>12,744,588</u>
Surplus as regards policyholders	<u>\$41,744,588</u>	<u>\$0</u>	<u>\$41,744,588</u>
Total liabilities, surplus and other funds	<u><u>\$110,567,460</u></u>	<u><u>\$0</u></u>	<u><u>\$110,567,460</u></u>

Safepoint Insurance Company
Statement of Income and Capital and Surplus Account
December 31, 2015

Underwriting Income

Premiums earned		\$62,974,821
	Deductions:	
Losses incurred		\$30,104,359
Loss expenses incurred		12,665,197
Other underwriting expenses incurred		9,834,919
Total underwriting deductions		\$52,604,475
Net underwriting gain or (loss)		\$10,370,346

Investment Income

Net investment income earned		\$1,171,298
Net realized capital gains or (losses)		8,084
Net investment gain or (loss)		\$1,179,382

Other Income

Finance and service charges not included in premiums		182,108
Total other income		\$182,108
Net income before dividends to policyholders and before federal & foreign income taxes		\$11,731,836
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$11,731,836
Federal & foreign income taxes		2,572,082
Net Income		\$9,159,754

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$29,892,989
Net Income		\$9,159,754
Net unrealized capital gains or losses		31,291
Change in non-admitted assets		(1,417)
Change in net deferred income tax		(1,350,030)
Change in provision for reinsurance		12,000
Surplus adjustments: Paid in Examination Adjustment		4,000,000
Change in surplus as regards policyholders for the year		\$11,851,598
Surplus as regards policyholders, December 31 current year		\$41,744,588

Safepoint Insurance Company
Reconciliation of Capital and Surplus
December 31, 2015

No adjustments were made to surplus as regards policyholders as a result of this examination.

Capital/Surplus Change during Examination Period

Surplus at December 31, 2014, per Examination			\$29,892,990
	<u>Increase</u>	<u>Decrease</u>	
Net Income (loss)	\$9,159,754		\$9,159,754
Change in net unrealized capital gain (loss)	\$31,291		\$31,291
Change in net deferred income tax		(\$1,350,030)	(\$1,350,030)
Change in non-admitted assets		(\$1,417)	(\$1,417)
Change in provision for reinsurance	\$12,000		\$12,000
Change in paid in surplus	\$4,000,000		\$4,000,000
Net increase (or decrease)			<u>\$11,851,598</u>
Surplus at December 31, 2015, per Examination			<u><u>\$41,744,588</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses

An actuarial firm, Ernst & Young (EY), appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2015, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Gregory Wilson, FCAS, MAAA, and Kathryn Koch, ACAS, MAAA of Lewis & Ellis, Inc., reviewed the loss and loss adjustment expense workpapers provided by the Company and they were in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$41,744,588, exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

Lines of Business

Effective December 13, 2016, the Company was authorized to write Glass lines of business on a direct and reinsurance basis, and Boiler and Machinery as a reinsurer only.

Certificate of Authority - Other States

Effective December 22, 2016, the Company received a Certificate of Authority from the Texas Department of Insurance to transact the following lines of insurance:

Allied Coverages
Fire

Liability Other Than Auto

Capital Contributions

During 2016, the Company's parent, Safepoint Holdings, Inc., contributed \$14,500,000 to the Company's capital. Additionally, Safepoint Holdings, Inc. contributed \$750,000 in common capital, consisting of 75,000 shares at \$10 par value.

Depopulation Program of Citizens Property Insurance Corporation (Citizens)

During 2016, the Company entered into three (3) additional Citizens assumptions.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Safepoint Insurance Company** as of December 31, 2015, consistent with the insurance laws of the State of Florida.

Per examination annual financial statements, the Company's surplus as regards to policyholders was \$41,744,588, which exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Katerina Bolbas (CFE), Examiner-in-Charge, Darlene Schaeffer (CFE, CISA), IT Specialist, Mario Ascic, Participating Examiner, of Lewis & Ellis, Inc., and Patricia Casey Davis (CFE), Examination Manager, of INS Regulatory Insurance Services, Inc. also participated in the examination. Members of the Office who participated in the examination include Marie Stuhlmuller, Financial Examiner/Analyst Supervisor, Participating Examiner. Additionally, Gregory Wilson (FCAS, MAAA) and Kathryn Koch (ACAS, MAAA) of Lewis & Ellis, Inc. are recognized for participation in the examination.

Respectfully submitted,

Brian Sewell, CFE, MCM
Chief Examiner
Florida Office of Insurance Regulation